

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee

May 10, 1996

**IN RE: Petition of AT&T Communications of the South Central
States, Inc. for Elimination of the Charges for Directory
Assistance Access Service**

Docket No. 93-06054

ORDER

Background

This matter is before the Commission upon the petition of AT&T Communications of the South Central States, Inc. (AT&T or Company). On July 16, 1993, the Company filed the above captioned matter requesting that the Commission order local exchange carriers (LECs) to withdraw those portions of their Access Services Tariffs which imposed charges for directory assistance provided to end users of the interexchange carriers (IXC), such as AT&T. AT&T reasons that since the Commission has a long standing policy of not allowing charges for directory assistance that it is inappropriate for the LECs to impose on IXCs charges for end user customers' use of directory assistance. AT&T's position is that, since it does not provide directory assistance itself, it is only making available the directory assistance services of the LECs as a convenience to its customers. Furthermore, AT&T argues that imposition of these charges on IXCs, but not on the LECs other customers is discriminatory.

The Commission Staff invited comments from the LECs before making a recommendation to the Commission. BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company (SCB), filed comments on November 30, 1993. SCB's position is that AT&T, in order to promote calling on its network, has an interest in ensuring that its customers have access to long distance directory assistance. SCB states that LEC recovery of providing directory assistance access to IXCs is appropriate since it recovers costs of their providing interNPA directory assistance. SCB points out that if directory assistance access charges were eliminated, either rates for LEC provided access services or other end user telecommunication services would have to be increased. While supporting the proposition that the Commission should allow both LECs and IXCs to charge customers for use of directory assistance, SCB stated that if the Commission continues its policy to provide the service to end users at no charge, then both LECs and IXCs should be required to do their part in furthering that policy.

The Commission Staff filed a memorandum on December 1, 1993, opposing AT&T's petition. The Staff states that Tennessee LECs spend \$17 million per year to provide intrastate directory assistance service. Of this amount the Staff states that about \$ 16.2 million is recovered from LEC ratepayers while \$800,000 is recovered from IXC's. The Staff also pointed out that when AT&T's rates were set at the implementation of regulatory reform (December 13, 1990), \$600,000 for payments to LECs for directory assistance was included in the cost of service. In response to a Staff data request AT&T, on October 26, 1993, responded that it paid \$601,872 for directory assistance costs for the twelve months ending September, 1993. In the same response, AT&T responded "No" to the Staff's question of whether it proposed to reduce any rates to offset cost savings from the elimination directory assistance charges in access tariffs.

The Staff argues that if the LECs directory assistance charges to AT&T were eliminated and AT&T did not flow these savings through to its customers, then AT&T's stockholders would get a \$600,000 per year windfall while their ratepayers would still be paying long distance rates designed to recover directory assistance costs.

Discussion

This matter was considered by the Commission at its regularly scheduled conference on December 21, 1993. Due to an oversight no order was entered memorializing its decision.

Rate design is a purview over which the Commission has wide latitude. As can be discerned from the Staff's memorandum, about five per cent of the directory assistance costs are shouldered by the IXC's. As SCB pointed out in its comments, AT&T has an interest in ensuring that its customers have access to directory assistance services. Since customers who obtain phone numbers are in all likelihood going to place a long distance call. Such call(s) will generate revenues for AT&T as it would for any IXC. AT&T flows the cost of directory assistance through to its customers in its rate structure as it would any other cost such as wages, health care costs or taxes. It is not true that directory assistance costs are charged only to IXC's. The Commission allows LECs to charge directory assistance costs to cellular telephone providers and to other LECs who, like IXC's and cellular companies, do not have directory assistance centers of their own.

As pointed out in the Staff memorandum, when AT&T's rates were set in December,

1990, an allowance of \$600,000 for directory assistance costs was included in the cost of service. The rate structure set by the Commission for AT&T was not appealed by the Company. Furthermore AT&T does not allege that its rate structure is not covering its costs, nor does it challenge the Staff position that its stockholders would reap a windfall if its petition were granted. There was no proposal by AT&T to pass through any savings resulting from its petition to its customers.

In sum, AT&T did not prove that the directory assistance costs it was incurring was causing any particular burden, driving its allowed rate of return down or was not covered by its rate structure. As with any business that is making a profit, the customers are paying the costs of operation. LEC customers are shouldering directory assistance costs through other rates and IXC's, cellular, and LEC's that do not have directory assistance centers are paying the costs in a more direct manor and passing the costs on to their customers in different ways.

For these reasons, the Commission finds that AT&T's petition should be denied.

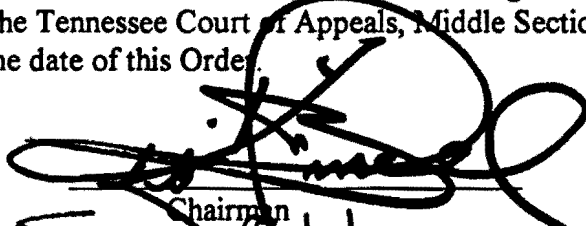
IT IS THEREFORE ORDERED THAT:

1. The petition of AT&T Communications of the South Central States, Inc. for elimination of the charges for Directory Assistance Access Service be and the same is hereby denied ; and
2. Any party aggrieved with the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within ten (10) days from and after the date of this Order; and
3. Any party aggrieved with the Commission's decision in this matter has the right of judicial review by filing a petition with the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

ATTEST:



Executive Director


Chairman



Commissioner

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Commissioner

*Commissioner Cochran voted in favor of dismissing this petition.
See Transcript of Commission Conference December 21, 1993, Pg. 6.